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Follow-up to the World Summit for Social Development and the twenty-fourth special session of the General Assembly: priority theme: poverty eradication

Statement submitted by Company of the Daughters of Charity of St. Vincent de Paul, International Presentation Association of the Sisters of the Presentation and Pax Christi International, non-governmental organizations in consultative status with the Economic and Social Council

The Secretary-General has received the following statement, which is being circulated in accordance with paragraphs 36 and 37 of Economic and Social Council resolution 1996/31.

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Statement*

Poverty eradication through debt relief

1. In September 2010, Heads of State and Government from 140 countries met at the United Nations in New York to reaffirm their commitment to keeping the promise of reaching the Millennium Development Goals by 2015, declaring that "poverty eradication is essential", even in the midst of the global economic downturn.

2. With just five years left to achieve the Millennium Development Goals and seven years left in the Second Decade for the Eradication of Poverty, there is a new urgency to increase resources for social services in the poorer nations.

3. As a result of the global financial, fuel and food crises the least developed countries have seen contractions in economic growth, export earnings, remittances, and foreign investment. The total external debt for African countries, 33 of which are least developed countries, increased from 22.4 per cent of GDP in 2008 to 25.4 per cent in 2009. External debt as a percentage of exports of goods and services rose from 53.4 per cent in 2008 to 80.3 per cent in 2009. Ten least developed countries are currently in debt distress and 11 more are at high risk of debt distress (see A/65/155). Oxfam International estimates that the financial crisis has created a $65 billion budget loss for low-income countries.[1]

4. The World Bank predicted that the financing gap of developing countries is projected to be $219 billion in 2010. If bilateral aid flows decline, as they have in the past, this could affect long-term growth rates in developing countries, potentially increasing the number of people living in extreme poverty by as much as 26 million.[2]

Debt relief strategies

5. Both short-term strategies for crisis mitigation and long-lasting reforms of global financial/economic architecture have been proposed by various non-governmental organizations as well as Member States as effective ways of addressing the debt problem. Debt cancellation, debt moratorium, debt standstills and grants instead of loans are some of the short-term mechanisms proposed.

Effective debt relief and restructuring measures

The London Debt Agreement of 1953

6. The London Agreement relieved Germany of external debts to the sum of nearly 30 billion marks consisting of pre- and post-war debts. Its preamble states that the treaty was based on the intention of removing obstacles on the way towards the re-establishment of normal economic relations between the Federal Republic of Germany and the other states and thereby to make a contribution to the development of a flourishing international community.

* Issued without formal editing.

[1] Katerina Kyrili and Matthew Martin, *Impact of the Global Economic Crisis on the Budgets of Low-Income Countries* (Oxfam International, July 2010).

[2] See www.worldbank.org/global outlook.

7. The London Debt Agreement is still one of the few historical examples of how circumspect and long-lasting debt management can be — if the political will is there. Its unusually humane conditions for the highly indebted post-war Germany made a significant contribution to the German economic miracle of the 1950s and 1960s and to a speedy reconstruction of the devastated country. This example demonstrates the value and long-lasting effects of debt management when there exists the political will for a serious solution to a debt crisis and the debt problem is not considered in isolation from the international political and financial context.

Debt2Health

8. An example of a forward-looking strategy to relieve the burden of debt is the Debt2Health mechanism. In this approach, the creditor country agrees to relinquish a part of its loans on condition that the beneficiary country spends the funds on its people via programmes previously approved by the Global Fund to Fight AIDS, Tuberculosis and Malaria.

9. For instance, Germany and Indonesia have signed an agreement whereby Germany has provided 50 million euros to the Global Fund to be spent on investments in HIV/AIDS services and public health interventions. A similar agreement has been signed between Australia and Indonesia to deal with the prevention and treatment of tuberculosis.[3]

10. Debt cancellation has achieved significant results such as doubling school enrolment in Uganda, vaccinating 500,000 children in Mozambique, adding three more years of schooling for Honduran children and returning 1.5 million children to school in the United Republic of Tanzania.

Debt work-out mechanisms

11. Debt work-out mechanisms are proposed as means to address the structural changes that are needed to solve the debt crisis faced by severely indebted countries, whether low-income countries, middle-income countries or European Union countries like Greece and Ireland.

12. Two suggested reforms of the financial architecture, as means of managing debt over the long term, call for a sovereign debt work-out mechanism and AFRODAD's fair and transparent arbitration mechanism that provides a comprehensive and fair structure for debt relief and restructuring.

13. Sovereign debt work-out mechanisms which would create a legal and policy framework that places the burden of irresponsible lending and borrowing on both creditors and debtors would be able to address cross-border resolutions and the severe debt burdens of developing countries as well as the question of odious and illegitimate debt through debt cancellation, moratoriums, and standstills.

14. Debt tribunals such as a fair and transparent arbitration mechanism have been recommended specifically to address illegitimate and odious debts. They are particularly attractive when considered as empowerment tools for highly indebted countries because of the flexibility independent arbitrators have in fashioning unique settlements on a case-by-case basis. It is also recommended that these fair

[3] See http://www.un.org/esa/ffd/documents/InnovativeFinForDev.pdf.

and transparent arbitration mechanisms be international and under the auspices of the United Nations to give them legitimacy.

15. The world's 79 poorest countries have received nearly $21 billion during the recent crises, mostly in the form of loans. More debt service obligations will only continue to keep generations of the most vulnerable buried in external debt and unrelenting poverty.

16. We urge Governments to take responsibility for assisting heavily indebted countries in whatever way possible to alleviate the persistent presence of extreme poverty.

17. We also urge Governments to support and approve a sovereign debt mechanism under the auspices of the United Nations.

Note: Statement also endorsed by the following non-governmental organizations in consultative status with the Council: Dominican Leadership Conference, Salesian Missions, Sisters of Charity Federation, Sisters of Notre Dame de Namur, VIVAT International and UNANIMA International.